

EXHIBIT A

CORPORATE INTEGRITY AGREEMENT

Don Angell and Meadowbrook of North Carolina, Inc. and Bermuda Village LP

This Corporate Integrity Agreement ("the Agreement") is entered into between Don G. Angell ("Angell"), Meadowbrook of North Carolina, Inc. ("Meadowbrook") and Bermuda Village Retirement Center Limited Partnership ("Bermuda Village LP"), and the Office of Inspector General of the United States Department of Health and Human Services ("HHS/OIG"). Pursuant to this Agreement, Angell, Meadowbrook and Bermuda Village LP agree to undertake the compliance obligations outlined below.

I. Preamble

Angell owns a controlling interest in Meadowbrook. Meadowbrook is currently unrelated to Meadowbrook Medical Products and Services, Inc, the former name of Manatee Medical Products and Services, Inc., a party to the agreement between Angell, other individuals and the United States, settling certain civil claims under federal statutes and the common law.

As set forth in Attachment A, attached hereto and incorporated herein by this reference, Meadowbrook, through various subsidiary corporations, operates the following skilled nursing facilities ("SNFs") that participate in HHS programs:

Meadowbrook Manor of Clemmons (a 120-bed SNF in Clemmons, NC; real estate owned by DOVA of Clemmons and Raleigh, LLC., an entity owned by Angell);

Meadowbrook Terrace of Davie (a 90-bed SNF and 40-bed assisted living facility in Advance, NC);

Meadowbrook Manor of Durham (a 115-bed SNF and 25-bed assisted living facility in Durham, NC).

As also set forth in Attachment A, Meadowbrook also owns the following wholesale pharmacy in Clemmons, NC:

Brookcare of North Carolina, Inc.

Angell also owns a controlling interest in Bermuda Village LP, a limited partnership, which, through its general partner, Bermuda Village Retirement Center, Inc., operates the following facility:

Bermuda Village Retirement Center (a retirement center that operates a 12-bed SNF and a 12-bed infirmary that is a Medicare participating provider, but is not currently required to file a Medicare Cost Report).

Through his ownership interests in Meadowbrook and Bermuda Village LP, Angell controls all of the above-listed facilities, all of which have the ability to participate in HHS programs. (See, Attachment A.)

Angell, Meadowbrook and Bermuda Village LP agree to implement Corporate Integrity Program in Meadowbrook and Bermuda Village LP to prevent fraud, abuse, and false billing to Medicare and Medicaid by Meadowbrook and Bermuda Village LP and by their subsidiaries, employees, independent contractors and third parties who are directly involved in or responsible for the delivery of medical services, including but not limited to skilled nursing care, and those who are involved in or directly or indirectly responsible for the submission of claims for medical services to Medicare and Medicaid. The Corporate Integrity Program shall be maintained so as to ensure, to the extent reasonably possible, that Meadowbrook and Bermuda Village LP and each of their directors, officers, employees and contractors (but as to contractors, only to the extent of the contractors' transactions with Meadowbrook or Bermuda Village LP) maintain the business integrity required of a participant in federally-funded health care programs, and that Meadowbrook and Bermuda Village LP are in compliance with all laws and regulations applicable to such programs and with the terms of the Agreement set out below.

II. Non-Expansion of Health Care Holdings

For the period of this Agreement (set forth below), Angell agrees not to expand his interests either directly or through any entity in which he has an ownership or control interest (as defined in 42 U.S.C. §1320a-3(a)(3)), through purchase or otherwise, in any health care enterprises or entities. This restriction does not apply to ownership in real property alone. In addition, this restriction does not apply to the three assisted living facilities described in *Future Development*, at item numbered 8 in List B of Attachment A; however, Angell agrees that he will amend List B of Attachment A to reflect the development of any of these three assisted living facilities, and will notify HHS/OIG in writing of such amendment no later than thirty (30) days after the assisted living facility in question begins to operate. Further, Angell agrees that breach of this paragraph shall constitute a material breach of this Agreement, as defined below.

III. Conversion of Existing Holdings to HHS Program Participation

"List B" of Attachment A sets forth the health care-related facilities and entities owned or controlled by Angell or a family member, but which do not have the present ability to participate in HHS programs. Should any of the entities apply for certification to participate in Medicare, Medicaid or any other HHS program, then Angell shall notify the HHS/OIG in writing of this

application within thirty (30) days of the application's submission. Should any of the entities in "List B" be granted a provider number or other form of permission to participate in Medicare, Medicaid or any other HHS program, then Angell shall seek to bring the entity into the Corporate Integrity Program contemplated by this Agreement, including but not limited to proposing and voting his ownership interests in favor of a corporate or partnership resolution that brings the entity into the Corporate Integrity Program.

IV. Corporate Integrity Policies and Code of Standards

The period of future compliance obligations under this Agreement shall be ~~five (5) years~~ and sixty (60) days from the date of execution of this Agreement. Should Angell sell or divest himself of all interests in any facility or entity, and have no management or employment position or consulting or agency relationship with any such facility or entity, then the compliance obligations shall terminate with respect to that facility or entity. The compliance obligations also do not apply to any facility or entity in which Angell retains only real property ownership interest.

The date of execution of this Agreement shall be deemed to be the date of the final signature for this Agreement. The annual submissions required under the Agreement shall be submitted sixty (60) days following the anniversary date of the execution of this Agreement. All reports and notifications required under this Agreement shall be sent to:

ATTN: Civil Recoveries Branch -- Compliance Unit
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services
Cohen Building Room 5527
330 Independence Avenue, S.W.
Washington, D.C. 20201
(202) 619-2078 Phone
(202) 205-0604 Fax

All HHS/OIG correspondence and notifications sent to Angell personally (as opposed to correspondence and notifications sent to the Meadowbrook and Bermuda Village Compliance Officers, described below) shall be sent to:

Don G. Angell
P.O. Box 1670
Clemmons, NC 27012

With copy to:

Robert J. Lawing
Robinson & Lawing, L.L.P.
370 Knollwood St., Ste. 600
Winston-Salem, NC 27103

Angell agrees to implement the following measures in Meadowbrook and Bermuda Village LP within ninety (90) days of the date of execution of this Agreement, unless otherwise specified below:

A. Corporate Compliance Committee

Within thirty (30) days of the execution of this Agreement, Meadowbrook's Board of Directors shall create a compliance committee that shall be responsible for the Corporate Integrity Program. The members of the Corporate Compliance Committee shall at least include Angell, D. Gray Angell (Angell's son who operates Meadowbrook's SNFs), and an outside director of Meadowbrook, who shall be appointed by Angell. The members of the committee shall select a member as the Compliance Officer ("Meadowbrook Compliance Officer") with responsibility for compliance operations and reporting requirements.

In addition, Angell shall appoint an individual in Bermuda Village Retirement Center, Inc. to be the Compliance Officer for Bermuda Village Retirement Center, Inc. (the "Bermuda Village Compliance Officer") with responsibility for compliance operations and reporting requirements. The Bermuda Village Compliance Officer shall submit reports annually (or more frequently, if circumstances require) to the directors of Bermuda Village Retirement Center, Inc. and to the HHS/OIG Office of Counsel to the Inspector General.

B. Billing and Contracting Procedures

1. Annual Review by Outside Firm

Angell shall contract with an independent professional organization, such as an accounting firm, law firm or health care consultant, to review on an annual basis Meadowbrook and Bermuda Village LP's dealings with Medicare, Medicaid and other health care programs, and especially their practices relating to contracts or other arrangements with referral sources and vendors of medical goods and supplies (including but not limited to medical supplies used by nursing home residents). The review shall be aimed at ensuring that 1) all of Meadowbrook and Bermuda Village's contracts, transactions, and other arrangements with referral sources, vendors and suppliers comply with all applicable laws and regulations; and 2) in particular, that these contracts and arrangements were not designed to induce referrals, or were not given in exchange for referrals, in violation of the anti-kickback statute, section 1128B(b) of the Social Security Act, 42 U.S.C. § 1320a-7b(b).

2. Mandatory Disclosure of Violations

If, during the course of its annual review pursuant to this paragraph, the reviewer discovers any material violation of federal law or regulations concerning Meadowbrook or Bermuda Village LP's practices relating to contracting with vendors, suppliers or referral sources, the relevant Compliance Officer will promptly report such material violation. The Compliance Officer's report to HHS/OIG will include (a) the annual review's findings concerning any such material violations, (b) Meadowbrook or Bermuda Village LP's actions to correct such material violations, and (c) any further steps it plans to take to address such material violations and prevent them from recurring in the future. A corrective action plan to remedy the material violation should be in place within sixty (60) days. Failure to submit a report notifying HHS/OIG of the material violation would be a material breach of this Agreement.

3. Mandatory Disclosure of Deficiencies

If, during the term of this Agreement, the Meadowbrook or Bermuda Village Compliance Officer discovers any deficiency or impropriety related to Medicare, Medicaid, or any other Federal health care program, then the Compliance Officer will report the deficiency or impropriety to the relevant carrier, fiscal intermediary or Medicaid agency, and Meadowbrook or Bermuda Village LP will repay any overpayment.

The notice to the carrier, intermediary or Medicaid agency should state that the repayment is being made pursuant to the terms of a Corporate Integrity Agreement and should include: (i) the methodology by which the overpayment was determined; (ii) information that identifies the claims that led to the overpayment; (iii) the amount of the overpayment; and (iv) the date of the check and the check number (or electronic transaction number) on which the overpayment was repaid.

Contemporaneous with the notification to the payor as provided above, Meadowbrook or Bermuda Village LP shall notify HHS/OIG of the following: (i) all of the information provided to the carrier, intermediary or Medicaid agency in returning the overpayment; (ii) the name and address of the carrier, intermediary or Medicaid agency where the overpayment was sent; (iii) Meadowbrook or Bermuda Village LP's findings concerning the deficiency; (iv) Meadowbrook or Bermuda Village LP's action to correct the deficiency; and (v) any further steps Meadowbrook or Bermuda Village LP plans to take to address such deficiency and prevent it from recurring.

Pursuant to this section, Meadowbrook and Bermuda Village LP have an obligation to repay and report even *de minimus* deficiencies.

C. Personal Services and Management Contracts

Upon request via certified mail, Meadowbrook or Bermuda Village LP shall provide to HHS/OIG or its designated representative, all non-privileged documentation reasonably relating to personal services and management contracts or other arrangements entered into by Meadowbrook or Bermuda Village LP, including but not limited to contracts with medical product suppliers and vendors, related to Meadowbrook or Bermuda Village LP's delivery of medical services. HHS/OIG's review of such contracts will be for the purpose of ensuring that such contracts were not designed to induce the unlawful referral of Medicare or Medicaid patients, in violation of the anti-kickback statute. To that end, Meadowbrook and Bermuda Village LP shall ensure that all such contracts or arrangements in which it enters comply with the following standards:

1. The agreement shall be set out in writing and signed by the parties;
2. The agreement shall specify the services to be provided by the agent;
3. If the agreement is intended to provide for the services of the agent on a periodic, sporadic or part-time basis, rather than on a full-time basis for the term of the agreement, the agreement shall specify exactly the schedule of such intervals, their precise length, and the exact charge for such intervals;
4. The term of the agreement shall be for not less than one year;
5. The aggregate compensation paid to the agent over the term of the agreement shall be set in advance, be consistent with fair market value in arms-length transactions and not be determined in a manner that takes into account the volume or value of any referrals or business otherwise generated between the parties for which payment may be made in whole or in part under Medicare, Medicaid or other Federal health care program;
6. The services performed under the agreement shall not involve the counseling or promotion of a business arrangement or other activity that violates any State or Federal law.

D. Corporate Compliance Policy and Procedures

Within 90 days of the execution of this Agreement, Meadowbrook and Bermuda Village LP shall implement written policies and procedures regarding their respective commitment to insure compliance with all laws and regulations related to the delivery of medical services, including the execution of personal services and management contracts with respect to the provision of these services that are consistent with the requirements in paragraph II C. of this Agreement. Meadowbrook's policies and procedures shall be adopted by the Board of Directors and distributed to all appropriate employees and independent contractors. Bermuda Village LP's policies and procedures shall be adopted by its general and limited partners and shall be distributed to all appropriate employees and independent contractors.

[Meadowbrook and Bermuda Village LP shall post in a prominent place accessible to each appropriate employee a notice detailing its own commitment to comply with all applicable Medicare and Medicaid laws and regulations in the conduct of its business.

A copy of the policies and procedures and a copy of the notice shall be reported to the HHS/OIG within one-hundred and twenty (120) days following the execution of the Agreement.

E. Information and Education

Within one-hundred and twenty (120) days of the execution date of the Agreement, Meadowbrook and Bermuda Village LP shall institute and maintain respective information, education and training programs designed to ensure that each officer, director, and employee is aware of all applicable health care laws, including Medicare and Medicaid laws, regulations, and standards of business conduct that such individual is expected to follow and the consequences both to the individual and Meadowbrook or Bermuda Village LP that will ensue from any violation of such requirements. Each officer, director and employee shall receive at least one hour of training regarding the Angell/Meadowbrook/Bermuda Village LP Corporate Integrity Agreement. A schedule and topic outline of the training shall be included in the annual reports submitted to HHS/OIG. A copy of all training materials shall be made available upon request of the HHS/OIG.

Such training shall include training with regard to the anti-kickback statute, 42 U.S.C. § 1320a-7b(b).

F. Confidential Disclosure Program

Meadowbrook and Bermuda Village LP shall each establish a confidential disclosure program enabling employees to disclose to the Compliance Officer or a designee not in that employee's direct chain of command any practices or billing procedures deemed by the employee to be inappropriate. Meadowbrook and Bermuda Village LP shall, as part of the Corporate Integrity Program, require the internal review of any such disclosure and ensure that proper follow-up is conducted within ten (10) days of the disclosure. Meadowbrook and Bermuda Village LP shall include in their respective annual reports to HHS/OIG a summary of all communications that may constitute violations of criminal law relating to, or the civil law or the rules and regulations governing, the Medicare and Medicaid Program, as well as a summary of Meadowbrook or Bermuda Village LP's efforts to address such violations.

G. Dealing with Excluded or Convicted Persons or Entities

Meadowbrook and Bermuda Village LP shall each implement a written internal operating policy that Meadowbrook or Bermuda Village LP shall not knowingly employ or contract with, with or without compensation, an individual or entity who is listed by a federal agency as excluded, debarred, suspended or otherwise ineligible to participate in federal programs. In order to carry out the policy, Meadowbrook shall make reasonable inquiry into the status of any current or potential employee, consultant, or contractor. Such reasonable inquiry shall include, at a minimum, review of the HHS/OIG Cumulative Sanctions Report that is currently available on the Internet at <http://www.dhhs.gov/progorg/oig>, and the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-Procurement Programs at <http://www.arnet.gov/epl>.

Meadowbrook and Bermuda Village LP's respective policies do not require them to terminate the employment of individuals who become suspended or are proposed for exclusion during their employment with Meadowbrook or Bermuda Village LP. Meadowbrook or Bermuda Village LP, however, will remove such employees from responsibility for, or involvement with, Meadowbrook or Bermuda Village LP's Medicare or Medicaid business operations until the resolution of such suspension or proposed exclusion. In addition, if any employee of Meadowbrook or Bermuda Village LP is charged with a criminal offense relating to its Medicare or Medicaid business, Meadowbrook or Bermuda Village LP will, if appropriate, remove that employee immediately from responsibility for or involvement with its Medicare or Medicaid business affairs. If the employee is convicted or excluded, Meadowbrook or Bermuda Village LP's policy may require that the employee be terminated from employment with Meadowbrook or Bermuda Village LP. Meadowbrook and Bermuda Village LP shall

notify HHS/OIG of each such personnel action taken among its own personnel and the reasons therefore, within fifteen (15) days of the final action.

Meadowbrook and Bermuda Village LP shall not allow, or cause to be allowed, any person convicted in any local, state or federal court of any felony involving health care matters to hold the position of officer or director of itself or any of its subsidiaries.

H. Interim and Annual Reports

Within forty-five (45) days of the execution of this Agreement, Meadowbrook will notify the HHS/OIG of the identities of the Corporate Compliance Committee members, including which member is the designated Meadowbrook Compliance Officer. In addition, Bermuda Village LP will notify the HHS/OIG of the identity of the Bermuda Village Compliance Officer.

~~Within one-hundred and twenty (120) days following the execution of this Agreement, Meadowbrook and Bermuda Village LP will each provide HHS/OIG with a copy of the policies and procedures and a copy of the policy notice required by the section entitled *Corporate Compliance Policy and Procedures*, above.~~

On or before the sixtieth (60th) day beyond the first, second, third, fourth and fifth anniversary dates of the execution of this Agreement, Meadowbrook and Bermuda Village LP each will provide HHS/OIG with a report relating to the following items:

- (1) A summary about any ongoing investigation or legal proceeding conducted or brought by any governmental entity involving an allegation that Meadowbrook may have committed a crime or may have engaged in fraudulent activities. The statement shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding.
- (2) A detailed description of the findings and recommendations made during the reviews and audits conducted pursuant to this Agreement relating to the year of the Annual Report, and a description of the corrective steps taken.
- (3) A status report of the communications received from the Confidential Disclosure Program established pursuant to Paragraph F of this section and the results of any investigations performed as a result of any disclosures.
- (4) A report of the aggregate amount of overpayments that have been returned to the Medicare or Medicaid programs, that were discovered as a direct or indirect result

of the compliance program established pursuant to this Agreement. The report should include a detailed description of how the overpayments were calculated, as well as a copy of all of the information provided to payors regarding the overpayment(s).

- (5) A certification that Meadowbrook and Bermuda Village LP do not employ or contract with any persons or entities that have been excluded from participation in federal health care programs, as described in Paragraph G of this section.
- (6) In the first Annual Report, copies of the document or documents that comprise Meadowbrook's Corporate Compliance Policies established under Paragraph D of this section as adopted by Meadowbrook's Board of Directors and implemented by the Corporate Compliance Committee. For subsequent years, Meadowbrook shall note in the report any amendments or revisions to the Corporate Compliance Policy documents made during the year of the Annual Report.
 - (6.5) In the first Annual Report, copies of the document or documents that comprise Bermuda Village LP's Corporate Compliance Policies established under Paragraph D of this section as adopted by Bermuda Village LP's general and limited partners and implemented by the Bermuda Village Compliance Officer. For subsequent years, Bermuda Village LP shall note in the report any amendments or revisions to the Corporate Compliance Policy documents made during the year of the Annual Report.
- (7) A copy of the information, education and training program implemented pursuant to Paragraph E of this section and a summary of the activities engaged in during the year of the Annual Report, in furtherance of the information and education program.
- (8) Any changes to the members of Meadowbrook or Bermuda Village LP's officers, directors or Compliance Committee members.
- (9) A resolution (or its equivalent) from Meadowbrook's Board of Directors and from Bermuda Village LP's general partner certifying that they have reviewed the respective annual reports and agree with the statements made therein.

Where applicable, the report shall include a statement that no events identified in subparagraphs (1) through (5) of this section occurred.

V. HHS/OIG Inspection, Audit and Review Rights

In addition to any other right that HHS/OIG may have by statute, regulation, contract or pursuant to this Agreement, HHS/OIG or its duly authorized representative(s) may examine any of Meadowbrook or Bermuda Village LP's non-privileged books, records, and other company documents and supporting materials for the purpose of verifying and evaluating: (a) Meadowbrook or Bermuda Village LP's compliance with the terms of this Agreement; (b) Meadowbrook or Bermuda Village LP's business conduct in its dealing with the United States Government, or any agencies or agents thereof; and (c) Meadowbrook or Bermuda Village LP's compliance with the requirements of the Medicare and Medicaid programs and other federally-funded health care programs. The documentation described above shall be made available by Meadowbrook at all reasonable times for inspection, audit or reproduction. Furthermore, for purposes of this provision, HHS/OIG or its authorized representative(s) may interview any Meadowbrook or Bermuda Village LP employee who consents to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee and HHS/OIG, provided that all communications with "controlling individuals," as that term is defined by DOJ regulations, are made through counsel representing Meadowbrook or Bermuda Village LP, as applicable. Employees, except "controlling individuals," may elect to be interviewed with or without a representative of Meadowbrook or Bermuda Village LP present, but each employee shall expressly be advised of his or her right to have counsel present at the interview.

VI. Document and Record Retention

Meadowbrook and Bermuda Village LP shall maintain for inspection documents and records relating to Medicare and Medicaid reimbursement for a period of six (6) years following the execution of this Agreement, or for whatever other period of time required by law or policy, whichever is longer.

VII. Breach and Default Provisions

Angell, Meadowbrook and Bermuda Village LP's compliance with the terms and conditions of this Agreement shall constitute an element of their present responsibility with regard to direct or indirect participation in federal health care programs. Full and timely compliance by Angell, Meadowbrook and Bermuda Village LP shall be expected throughout the duration of this Agreement with respect to all of the obligations herein.

If Angell, Meadowbrook or Bermuda Village LP submits a timely written request to HHS-OIG for an extension of the relevant time period to perform any act or file any notification or report under this Agreement, HHS/OIG agrees that Stipulated Penalties shall not begin to accrue until two (2) business days following Angell, Meadowbrook or Bermuda Village LP's receipt of HHS/OIG's written denial of such an extension. A "timely written request" is defined as a request in writing received by HHS/OIG at least five (5) business days prior to the date by which any act is due to be performed or notification or report is due to be filed.

A. Stipulated Penalties for Failure to Comply with Certain Obligations

As a contractual remedy, Angell, Meadowbrook and Bermuda Village LP and HHS/OIG hereby agree that failure to comply with certain obligations set forth in this Agreement may lead to the imposition of specific monetary penalties (hereinafter referred to as "stipulated penalties") in accordance with the following provisions.

1. A stipulated penalty of \$1,000 for each day that Meadowbrook or Bermuda Village LP fails to comply with any of the following, which stipulated penalty shall begin to accrue on the date the obligation becomes due:
 - a. failure to submit the complete Annual Report to HHS/OIG by the sixtieth (60th) day beyond the first, second, third, fourth and fifth anniversary dates of the execution of this Agreement;
 - b. failure to notify HHS/OIG of the identity of an appointed Compliance Officer within forty-five (45) days of the date of execution of this Agreement;
 - c. (for Meadowbrook) failure to appoint a Corporate Compliance Committee within thirty (30) days of the date of execution of this Agreement.
 - d. (for Angell) failure to notify HHS/OIG of the application of any entity in "List B" of Attachment A, for certification to participate in Medicare, Medicaid or any other HHS program.

2. A stipulated penalty of \$1,000 for each day Meadowbrook or Bermuda Village LP fails to comply by having fully in force during the term of this Agreement any of the following, which stipulated penalty shall begin to accrue on the date of the HHS/OIG's notice of noncompliance in accordance with section VII.B below.
 - a. the Education and Information Program required under section IV.E of this Agreement;
 - b. the Confidential Disclosure Program required under section IV.F of this Agreement.
3. A stipulated penalty of \$1,000 for each day Meadowbrook or Bermuda Village LP fails to grant access to the information or documentation necessary to exercise the HHS/OIG's inspection, audit and review rights set forth in section V of this Agreement, which stipulated penalty shall begin to accrue on the date Meadowbrook or Bermuda Village LP fails to grant access.
4. A stipulated penalty of \$1,000 for each day Meadowbrook or Bermuda Village LP knowingly employs in a position related to the federal health care programs (as specified in section IV.G above) an individual after that individual has been listed by a federal agency as excluded, debarred, suspended or otherwise ineligible for participation in the Medicare, Medicaid or any other federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)), which stipulated penalty shall begin to accrue on the date of the HHS/OIG's notice of noncompliance, in accordance with section VII.B.
5. A stipulated penalty of \$750 for each day Angell, Meadowbrook or Bermuda Village LP fails to comply with any other requirement in this Agreement, which is not covered by provisions 1 through 4 of section VII.A of this Agreement, which stipulated penalty shall begin to accrue on the date of the HHS/OIG's notice of noncompliance, in accordance with section VII.B.

B. Payment of Stipulated Penalties

Upon finding that Angell, Meadowbrook or Bermuda Village LP has failed to comply with any of the above-enumerated obligations, HHS/OIG may choose to demand payment of the stipulated penalties above. To effectuate the demand, HHS/OIG shall notify Angell, Meadowbrook or Bermuda Village LP of: (i) Angell, Meadowbrook or Bermuda Village LP's failure to comply; and (ii) HHS/OIG's exercise of its contractual right to demand

payment of the stipulated penalties payable under this Agreement (this notification is hereinafter referred to as the "Demand Letter").

Within ten (10) days of receipt of the Demand Letter, Angell, Meadowbrook or Bermuda Village LP shall respond by either: (i) curing the breach to the HHS/OIG's satisfaction, paying the applicable stipulated penalties and notifying the HHS/OIG of its corrective actions; or (ii) sending in writing to the HHS/OIG a request for a hearing before an HHS administrative law judge to dispute the HHS/OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth in section VII.D of this Agreement. Failure to respond to the Demand Letter shall be considered a material breach of this Agreement and shall be grounds for exclusion under section VII.C below.

Payment of the stipulated penalties shall be made by certified or cashier's check, payable to "Secretary of the Department of Health and Human Services," and submitted to OCIG at the address set forth in section IV of this Agreement.

C. Material Breach and Exclusion

If Angell, Meadowbrook or Bermuda Village LP engages in conduct that HHS/OIG considers to be a material breach of this Agreement, HHS/OIG may seek exclusion of Angell, Meadowbrook or Bermuda Village LP from participation in the Medicare, Medicaid and any other federal health care programs (as defined in 42 U.S.C. §1320a-7b(f)).

Upon making its determination, HHS/OIG shall notify Angell, Meadowbrook or Bermuda Village LP of the alleged material breach by certified mail and of its intent to exclude as a result thereof (this letter shall be referred to hereinafter as the "Notice of Material Breach and Intent to Exclude"). Angell, Meadowbrook or Bermuda Village LP shall have thirty-five (35) days from the date of the letter to:

- (1) demonstrate to the HHS/OIG's satisfaction that Angell, Meadowbrook or Bermuda Village LP is in full compliance with this Agreement;
- (2) cure the alleged material breach; or
- (3) demonstrate to the HHS/OIG's satisfaction that the alleged material breach cannot be cured within the thirty-five (35) day period, but that the individual or company has begun to take action to cure the material breach and that such action shall be pursued with due diligence. The individual or company shall, at this time, submit a timetable for curing the material breach for the HHS/OIG's approval.

If, at the conclusion of the thirty-five day period (or other specific period as subsequently agreed to by the parties), Angell or Meadowbrook or Bermuda Village LP fails to meet the requirements of provisions 1, 2 or 3 above, HHS/OIG may exclude Angell or Meadowbrook or Bermuda Village LP from participation in the Medicare, Medicaid and all other federal health care programs (as defined in 42 U.S.C. §1320a-7b(f)). HHS/OIG shall notify Angell or Meadowbrook or Bermuda Village LP in writing of its determination to exclude (this letter shall be referred to hereinafter as the "Exclusion Letter").

The exclusion shall take effect thirty (30) days from the date of the Exclusion Letter unless Angell or Meadowbrook or Bermuda Village LP exercises its contractual right to seek review of the HHS/OIG's exclusion determination by requesting a hearing before an administrative law judge as provided in section B ("Review Process") below. In the event such a hearing is requested, the exclusion shall not be effective until the issuance of an administrative law judge's decision supporting the HHS/OIG's exclusion determination. The exclusion shall have national effect and will also apply to all other federal procurement and non-procurement programs.

For purposes of this section, a "material breach" shall mean: (i) a failure to report a material violation and take corrective action as described in Section IV.B.2 above; or (ii) a failure on the part of Angell to abide by his agreement not to expand his interests (through purchase or otherwise) in health care properties or entities as described in Section II above; or (iii) repeated or flagrant violations of the obligations under this Agreement.

In connection with the HHS/OIG's determination to exclude pursuant to this provision, Angell or Meadowbrook or Bermuda Village LP shall have the right to dispute the HHS/OIG's determination in accordance with the agreed upon provisions set forth in section VII.B of this Agreement, "Review Process," as follows.

D. Review Process

Upon HHS/OIG's delivery to Angell or Meadowbrook or Bermuda Village LP of the Demand Letter or Exclusion Letter, and as an agreed upon contractual remedy for the resolution of disputes arising under the obligations in this Agreement, the individual or company shall be afforded review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. § 1005 as if they applied to the stipulated penalties or exclusion sought pursuant to this Agreement. Specifically, the HHS/OIG's determination to demand payment of stipulated penalties or to seek exclusion shall be subject to review by an HHS administrative law judge in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving stipulated penalties shall be made within ten (10) days of

the date of the Demand Letter and the request for a hearing involving exclusion shall be made within thirty (30) days of the date of the Exclusion Letter.

Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for stipulated penalties under this section shall be: (i) whether, on the date of the Demand Letter, Angell, Meadowbrook or Bermuda Village LP was in full and timely compliance with the obligations in this Agreement for which OIG demands payment; (ii) whether Angell, Meadowbrook or Bermuda Village LP failed to cure; (iii) whether it was reasonable for the alleged breach to have been cured within the ten-day period; and (iv) the period of noncompliance. For purposes of paying stipulated penalties under this Agreement, and if Angell, Meadowbrook or Bermuda Village LP chooses to seek review in lieu of curing the breach and paying the stipulated penalties, as set forth above, the administrative law judge's decision shall give rise to Angell, Meadowbrook or Bermuda Village LP's obligation to pay. Thus, payment will be due twenty (20) days from the day the administrative law judge's decision is mailed.

Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this Agreement shall be: (i) whether Angell, Meadowbrook or Bermuda Village LP was in material breach of one or more of its obligations under this Agreement; (ii) whether the alleged material breach was continuing on the date of the Exclusion Letter; (iii) whether the alleged material breach could have been cured within the thirty-five-day period or such other period as agreed to in writing between Angell, Meadowbrook or Bermuda Village LP and HHS/OIG. For purposes of the exclusion herein agreed to, in the event of a material breach of this Agreement, an administrative law judge's decision finding in favor of the HHS/OIG shall be deemed to make the exclusion effective, at which time the HHS/OIG may proceed with its exclusion of Angell, Meadowbrook or Bermuda Village LP.

Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, HHS/OIG shall have the burden of going forward and the burden of persuasion with respect to the issue of whether Angell, Meadowbrook or Bermuda Village LP was in breach and with respect to the period of noncompliance. Angell, Meadowbrook or Bermuda Village LP shall bear the burden of going forward and the burden of persuasion with respect to the issue of whether, as of the date of the Exclusion Letter, Angell, Meadowbrook or Bermuda Village LP cured the alleged breach, and with respect to the issue of whether the alleged breach could have been cured during the specified period. The burden of persuasion will be judged by a preponderance of the evidence.

The review by an administrative law judge provided for above shall not be considered to be an appeal right arising under any statutes or regulations. Consequently, the parties to this Agreement agree that the administrative law judge's decision shall be considered final for all purposes under this Agreement and agree to waive any right they may have to appeal the decision administratively, judicially or otherwise seek its review by any court or other adjudicative forum.

Angell, Meadowbrook or Bermuda Village LP shall have the right to seek reinstatement following the period of exclusion, subject to the provisions of 42 C.F.R. § 1001 Subpart F.

VIII. Costs Related to Compliance Plans

In addition to the obligations assumed by Meadowbrook and Bermuda Village LP under the Agreement and as described above, if HHS/OIG reasonably determines that it is necessary to conduct an independent audit or review to determine whether or to the extent to which Meadowbrook or Bermuda Village LP is complying with its obligation under this Agreement, Meadowbrook or Bermuda Village LP (as applicable) agrees to pay for the reasonable cost of any such audit or review.

IX. Modification

Angell, Meadowbrook and Bermuda Village LP and HHS/OIG agree that any modification of this Agreement must be made by written consent of the parties.

X. Privileges

Nothing in this Agreement, or any communication or report made pursuant to this Agreement, shall constitute or be construed as any waiver by any party of its attorney-client, work product or other applicable privileges.

XI. Confidentiality

The confidentiality of all documents and other information provided by Meadowbrook or Bermuda Village LP in connection with its Corporate Integrity Program obligations under this Agreement shall be maintained by HHS/OIG except to the extent disclosure is required by law. Nothing in this Agreement shall be construed to prohibit HHS/OIG from providing information to any other department or agency of the United States Government or any State charged with enforcing the laws against health care fraud if the information relates to matters within the department's or agency's jurisdiction, provided that any such entity receiving such information shall be advised by HHS/OIG of the confidentiality provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto affix their signatures

FOR MEADOWBROOK OF NORTH CAROLINA, INC.:


6-24-98
Date


Don Angell, Chairman of the Board and CEO

FOR BERMUDA VILLAGE RETIREMENT CENTER LIMITED PARTNERSHIP:


By: BERMUDA VILLAGE RETIREMENT CENTER, INC.

6-24-98
Date

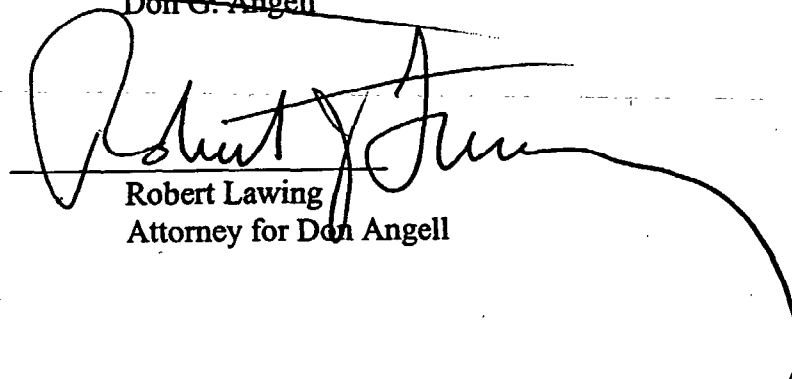

Don G. Angell, Director, President and CEO

FOR DON G. ANGELL, INDIVIDUALLY:

6-24-98
Date


Don G. Angell

6-24-98
Date


Robert Lawing
Attorney for Don Angell

FOR THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Date

6/24/98


Lewis Morris

Assistant Inspector General for Legal Affairs
Office of Counsel to the Inspector General
Office of Inspector General
Department of Health and Human Services